

An Unfinished Journey Towards Urban Decentralisation



Clockwise: Bibek Debroy, Amit Kapoor & Aditya Sinha



THE DISCIPLINE of routine policy outcome assessment is not a matter of convenience but a critical pillar of effective governance and policy implementation. It's

akin to a seafarer's relentless verification of their intended course. Absence of such due diligence may allow unnoticed deviations, a situation captured by the dilemma of Alice from Lewis Carroll's *Alice in Wonderland*, who found herself disoriented within a perplexing rabbit hole. Consistent tracking offers policymakers the leeway to modify their direction, amend errors, hone strategies, and ascertain that policies align with their predetermined outcomes. It also serves as a bulwark of accountability, providing tangible evidence of policy impacts. A potent example that accentuates this fact is the "Metric Martyrs" incident in the UK during the early 2000s. Local traders, under a policy aimed at metrication, faced penalties for selling commodities in conventional imperial units. Regrettably, the supervising authorities failed to effectively gauge

and respond to public sentiment and understanding of the new system, leading to an outcry and an eventual reversion to the age-old system – a preventable outcome of a policy failure.

Drawing on these insights and casting them upon the backdrop of India's 74th Constitutional Amendment Act, a monumental legislation that took effect three decades ago on 1st June 1993, it is incumbent upon both the central and state governments to rigorously evaluate whether the desired



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Three Decades of the 74th Constitutional Amendment:

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objectives of this landmark constitutional amendment have been realised or not. The impetus to examine its impacts and outcomes is both a responsibility and a necessity, to ensure that the promise of this transformative act, intended to reshape the landscape of local self-governance, is not just on paper but effectively enacted in practice.

Every Bill introduced in either the Parliament or state legislative bodies comes bundled with a 'Statement of Objects and Reasons' (SOR). This document is a crucial blueprint, revealing the motivating principles and intended objectives behind the proposed legislative action. It brings clarity to the government's or a private member's intentions during the drafting of the Bill. For a comprehensive review of any proposed legislation, it is

paramount for legislative analysts and policy experts to scrutinise the SOR to understand the deeper purpose and anticipated outcomes of the Bill. Furthermore, once a Bill is enacted into law, this very statement becomes a key resource for gauging the law's efficacy in meeting its stated aims over time. The SOR is instrumental in providing a metric for evaluation, thus enabling one to determine the extent to which the law has fulfilled its primary goals as time passes.

It is worth quoting the first paragraph of the SOR. *"In many States local bodies have become weak and ineffective on account of a variety of reasons, including the failure to hold regular elections, prolonged supersessions and inadequate devolution of powers and functions. As a result, Urban Local Bodies are not able to per-*

form effectively as vibrant democratic units of self-government."

Let us look at each of these reasons and track the progress on these parameters.

❶ Failure of regular elections: In the stark reality of our present day, the neglect towards scheduled elections for both rural and urban local bodies remain glaring. Back in May 2022, the Supreme Court Justice A. M. Khanwilkar presided over a bench that found itself astonished and alarmed at this ludicrous scenario, an issue permeating not just one state, but across our nation. The bench observed, *"... This kind of delay cannot be permitted when the constitutional scheme requires such seats to be filled within the stipulated period."*

His observations resonate deeply, declaring such deferral as an intoler-

able offense when the core tenets of our constitution mandate that these vacancies be duly filled within specified timeframes. The court didn't hesitate to express its intense disapproval towards the Madhya Pradesh government for their glaring neglect in conducting elections for over 23,000 rural local bodies. Further compounding this negligence, elections have been absent in as many as 321 urban local bodies in Madhya Pradesh since the year 2019-2020. Unfortunately, Madhya Pradesh is not an exception. Elections to ULBs were not held in several states.

❶ **Inadequate devolution of powers and functions:** Decentralisation is incomplete without devolution of financial powers. The ULBs, pivotal in navigating India's urbanisation process and ensuring the provision of critical services, encounter substantial challenges on their trajectory. One primary challenge is the restrained devolution of powers. Despite constitutional provisions, a divergence is evident in the practical realm, where states delegate only a limited number of taxes to ULBs, rendering these bodies financially reliant on higher tiers of governance.

The analysis by Praja Foundation (<https://tinyurl.com/2p94edvt>) of the devolution of financial powers to urban centres across India reveals an unsettling reality. It indicates that despite the provisions of the 74th Constitutional Amendment Act, a significant number of urban local bodies have not yet been granted full financial autonomy. Evidence demonstrates that out of 31 cities, 11 lack independent authority to introduce new taxes from the assigned list according to their respective State Municipal Acts. Further, nine out of these 31 cities are unable to independently revise existing tax rates or charges as per their Municipal Acts. The situation further aggravates when it comes to budget approval; 13 cities out of the 31 under consideration do not possess independent author-



Photograph by Madsci

ity to approve their budgets as per the respective Municipal Acts.

According to this study, Rajasthan, Sikkim, and Jammu and Kashmir have not been granted any of the three financial powers. This scenario paints a picture of incomplete devolution, where the intentions of decentralisation, as mandated by the 74th Amendment, are yet to be fully realised, thereby hindering the financial independence and self-sufficiency of our urban local bodies.

Devolution of financial powers to local bodies is a transformative strategy that serves multiple purposes in local governance. Predominantly, it plays an integral role in aligning resources and actions with local needs and priorities. By enabling local bodies to control their finances, it leverages their deep understanding of specific regional challenges, fostering initiatives that address these problems effectively. In addition to this, financial devolution brings about increased accountability and transparency, as the responsibility for service delivery shifts directly to these local bodies, making their actions more transparent and their performance more assessable.

Moreover, by providing local bodies with financial control, financial devolution fuels the empowerment of grassroots democracy. It allows lo-

cal bodies to function as true units of self-government, better equipped to enhance the quality of their service delivery, thus, invigorating the democratic process at the ground level.

Crucially, financial devolution contributes to financial sustainability, which is a cornerstone of resilient local governance. By giving local bodies the means to generate their own revenue, it significantly reduces their dependence on financial support from central or state governments.

Apart from this, the resulting financial scarcity often impedes resources for essential infrastructure and service delivery. The over-politicisation of these bodies exacerbates this problem, diverting ULBs from their central role as developmental instruments and positioning them as arenas for political manoeuvring, with elections often deferred due to various concerns.

The daunting spectre of corruption and administrative malpractice persistently overshadows ULBs. Inefficient audits facilitate the incursion of corruption, which can seriously debilitate the functioning of these bodies. This scenario is accentuated in the face of India's rapid urban expansion, with growing demands for infrastructure and services, such as water supply, sewerage, and waste management. The task intensifies in consideration



Photograph courtesy: Government of Rajasthan

The journey of the 74th Constitutional Amendment, akin to the plot of a complex novel, continues to unfold with the objective of bestowing autonomy to Urban Local Bodies in India. It is an epic tale of decentralisation, where the protagonist, the ULBs, are still wrestling to secure their rightful place in the governance structure

of the escalating urban poverty and the extensive prevalence of slums.

The final major obstacle lies in the existence of parallel programmes and authorities whose functions overlap with those of ULBs, spawning a milieu of inefficiency and confusion. The proliferation of para-statal bodies, inclusive of development authorities, housing boards, and district health and sanitation societies, often undermines the role of ULBs. Collectively, these challenges delineate a rigorous course that India's ULBs must navigate, underscoring the imperative for prompt and holistic reforms.

In an effort to bolster the efficacy of Urban Local Bodies (ULBs) in India, state governments can take decisive actions. Foremost among these is the full execution of the 74th Constitutional Amendment Act, providing ULBs with greater autonomy and power. Another key aspect is the augmentation of funding directed towards these bodies, providing them with the means to

carry out their roles more effectively.

State governments should also consider leveraging advanced technology, such as Geographical Information Systems, to further refine the functioning of ULBs. Additionally, they can strive to enhance the ability of ULBs to generate resources and achieve financial self-sufficiency independently.

A substantial focus should be placed on improving the planning and administration of urban spaces to tackle challenges like unplanned urban expansion and the dearth of essential urban services. Lastly, to ensure a more inclusive democracy, efforts should be made to actively involve citizens in decision-making processes, consequently leading to higher accountability from ULBs.

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tion, where the protagonist, the ULBs, are still wrestling to secure their rightful place in the governance structure. Though significant in its intent, the Amendment remains akin to a promising manuscript, yet to reach its full potential. The state governments, serving as the editors of this script, have a crucial role to play in this process. Their task isn't just about flipping the pages of the Amendment but about comprehending its essence, ensuring that its implications are fully absorbed, and enacting the changes necessary to bring this powerful narrative to life. Until the state governments take robust actions, the story of the 74th Constitutional Amendment will remain a tale of unfulfilled potential, with the real autonomy for ULBs merely a chapter yet to be written. **BW**

Bibek Debroy is Chairman, Economic Advisory Council to the Prime Minister; Amit Kapoor is Chair, Institute for Competitiveness; Aditya Sinha is consultant, EAC-PM